



POLICY BRIEF

Review of 2012 Supplemental Budget and Structural Reforms

by Jason Mercier
Director, WPC's Center for Government Reform

June 2012



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Key Findings

1. Lawmakers enacted a budget without major tax increases or the “felony gimmicks” criticized by the state treasurer.
2. The budget uses too many accounting maneuvers while relying on a miniscule \$46 million unrestricted ending fund balance (out of a \$31 billion budget), increasing the likelihood of yet another special session or across-the-board cuts.
3. The final text of the bills voted on during the waning hours of session were written shortly before floor votes, meaning the public and lawmakers had little, if any, time to see the details.
4. Despite achieving an estimated \$9 billion in savings over the next 25 years from the past two years of reforms, the state is still facing \$4.6 billion in unfunded pension liabilities.
5. Starting with the 2017–19 budget, Washington will have one of the strongest balanced budget requirements in the country, assuming lawmakers do not amend or repeal the requirement.
6. The structural reforms lawmakers adopted will put the state on a more sustainable path, but the final compromise versions may not bend the state’s cost curve down as much as originally hoped.

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Introduction

For more than 200 days, lawmakers in Olympia struggled to enact a balanced, sustainable two-year budget for 2011–13. After the June 2011 revenue forecast put the state’s 2011–13 budget into deficit, Governor Gregoire called lawmakers into a special session (the second special session of 2011) in late November, to require them to balance the budget. That session lasted for just 16 days when, as Christmas approached, lawmakers gave up and went home without solving the full budget deficit. At that time, House and Senate leaders promised Washingtonians that fixing the budget would be their number-one priority when the 2012 regular session convened in January.

When the 2012 regular session ended in early March, as scheduled, the Legislature had still not passed a balanced budget. The governor found herself calling two more special sessions, for a total of six special sessions in three years, to require lawmakers to complete their budget work.¹ It was not until the early morning hours of April 11th that lawmakers finally passed and sent to the governor a supplemental budget (HB 2127) that, on paper at least, brought the state’s 2011–13 budget into balance.

Along with working to balance the 2011–13 budget, lawmakers debated several proposed structural reforms to help improve state spending sustainability. Among the reforms were:

- Requiring a four-year balanced budget
- Changes to the state’s pension system
- Repeal of the voter-approved unfunded mandate for class size reduction (Initiative 728)
- Lowering the state’s constitutional debt limit

In the end, lawmakers adopted these structural reforms, and they were signed into law by the governor (with the constitutional debt amendment going before voters this fall).

2012 Supplemental Budget (HB 2127)

One reason lawmakers were unable to reach an agreement on the 2012 supplemental budget during the regular session was a disagreement over the use of unconventional bookkeeping devices (called “gimmicks” by critics) and the sustainability of the various budget proposals.

¹ “Length of sessions for years 1980–2011,” Washington State Legislature, at www.leg.wa.gov/History/Legislative/Documents/LegLength1980-2011.pdf.

The major concern raised over the sustainability of the House Democrat budget proposal was a provision to delay a \$330 million payment to K–12 schools by one day, from June 30, 2013 to July 1, 2013, thus pushing this spending into the next two-year budget period. State Treasurer James McIntire described the proposed one-day spending delay as a “felony gimmick.”²

The primary problem critics noted in the bipartisan Senate budget proposal was the decision to skip a \$133 million payment to the state pension fund, a move state treasurer McIntire also called a “felony gimmick.”³

The apparent balance reached between these two “gimmicks” was lawmakers’ decision to adopt an accounting change whereby the state would retain control of local government sales tax revenue for 30 days, instead of immediately transferring it to local governments as in the past. This change provided \$238 million in one-time flexibility in the state’s “working capital reserve.” The compromise budget also counted \$120 million in estimated agency reversions, expected unspent money that will remain in the state general fund at the end of the budget period.

Following is a timeline listing various 2012 Supplemental Budget proposals offered by Democrats and Republicans in both houses, and the final compromise budget.

Evolution of the 2012 Supplemental Budget

Democrat proposals:

Governor Gregoire (11/21/11): Total spending - \$29.989 billion (included \$330 million in delayed K–12 spending); Total reserves - \$602 million*

House (2/21/12): Total spending - \$30.661 billion (included \$330 million delayed K–12 spending); Total reserves - \$504 million

House (2/25/12): Total spending - \$30.725 billion (included \$330 million delayed K–12 spending); Total reserves - \$454 million

Senate (2/28/12): Total spending - \$30.814 billion (included \$330 million delayed K–12 spending and \$160 million in expected agency reversions); Total reserves - \$369 million

House (3/8/12): Total spending - \$30.836 billion (included \$330 million delayed K–12 spending and \$78 million in expected agency reversions); Total reserves - \$350 million

House (4/4/12) Total spending - \$31.102 billion (included \$120 million in expected agency reversions); Total reserves - \$336 million (included \$238 million accounting change)

² “Once more with feeling: Pass a state budget without ‘felony’ gimmicks,” *The Seattle Times*, March 9, 2012, at seattletimes.nwsourc.com/html/editorials/2017712421_edit11mcintire.html.

³ *Ibid.*

Republican proposals:

House (2/21/12): Total spending - \$30.565 billion (included \$160 million in expected agency reversions); Total reserves - \$625 million

Senate (3/3/12): Total spending - \$30.768 billion (\$133 million in delayed pension payment); Total reserves - \$501 million

Senate (3/15/12): Spending - \$30.713 billion (\$143 million delayed pension payment and included \$160 million in expected agency reversions); Total reserves - \$437 million

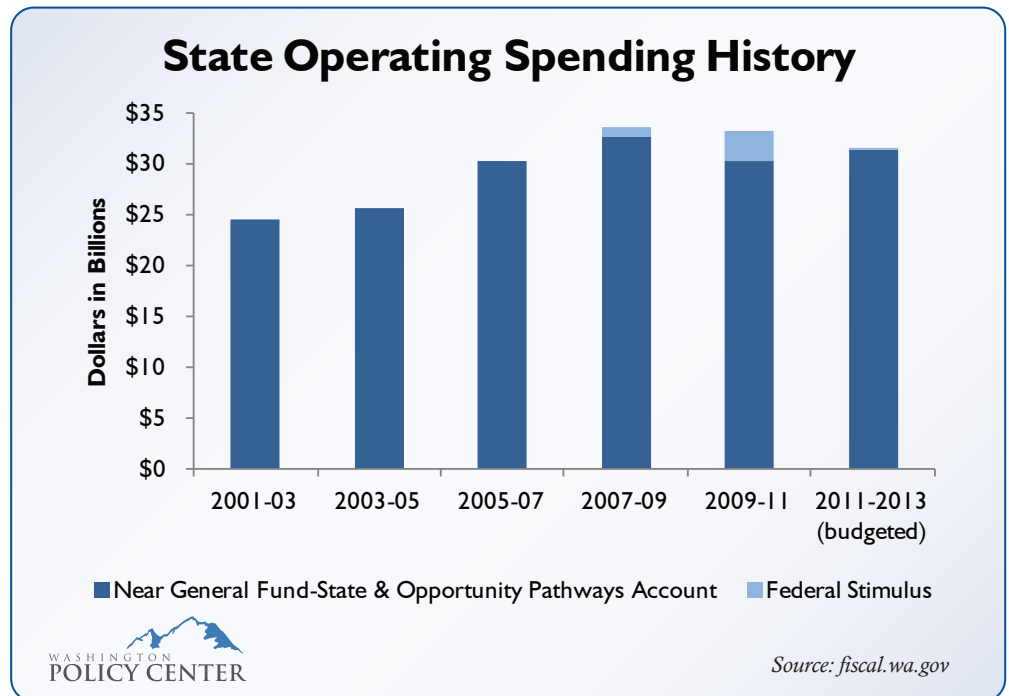
Final compromise budget:

Enacted budget (4/11/12) Total spending - \$31.121 billion (includes \$120 million in expected agency reversions); Total reserves - \$319 million (includes \$238 million accounting change)

**The financial factors changed between the time the governor proposed her budget and the legislative versions (caseloads and revenue forecast).*

The final budget adopted is very close to the one Representative Ross Hunter (Democratic chairman of the House Ways and Means Committee) proposed on April 4th, the last Democratic House budget proposal listed above. In reviewing the timeline, one trend quickly emerges: Proposed spending increased and estimated savings decreased as various budget proposals came closer to final agreement.

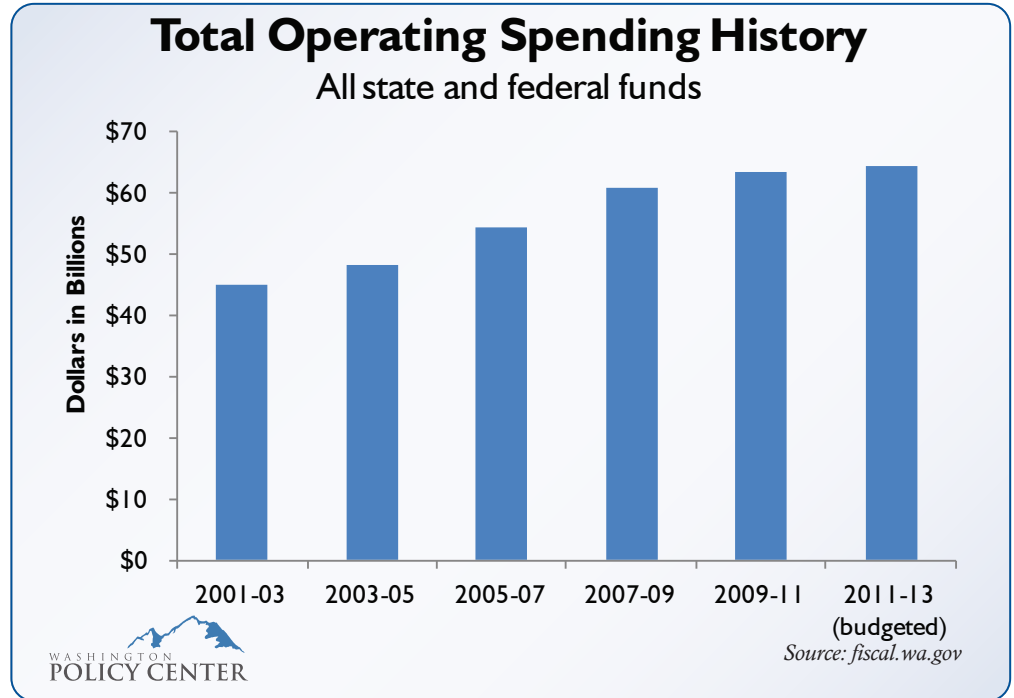
State Spending Trends



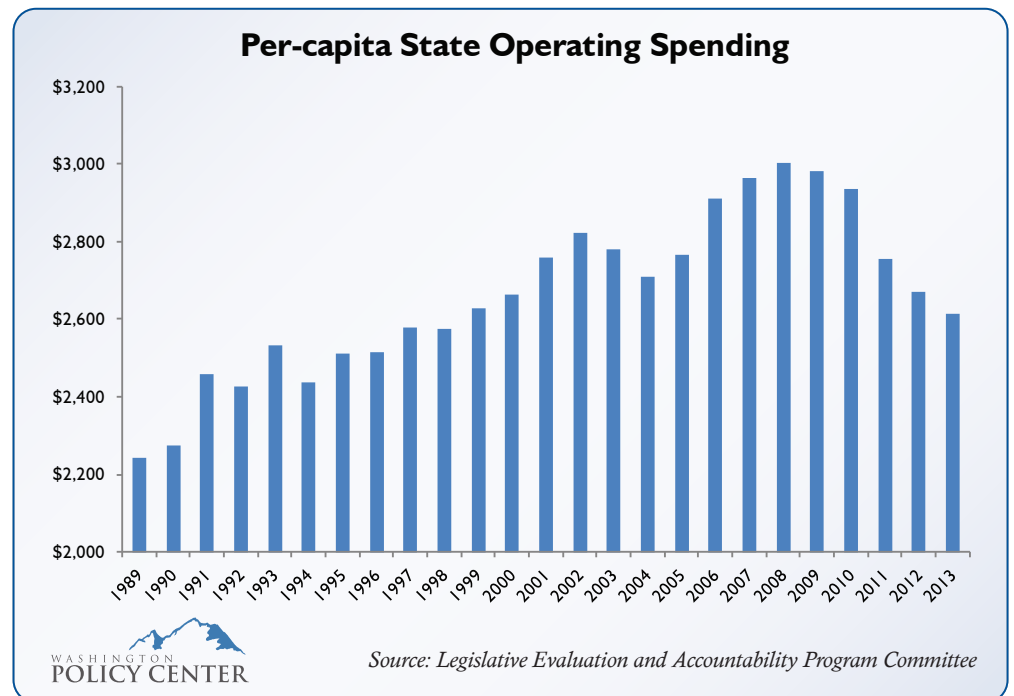
Depending on how state spending is measured, the 2011–13 budget represents either an increase or decrease in spending over the 2009–11 budget. Looking at state revenues spent through the Near General Fund State (plus

education-related Opportunity Pathways account) spending will increase by \$970 million in 2011–13 compared to 2009–11. However, when temporary federal stimulus fund (state bailout) spending is counted in the 2009–11 base, spending will decrease by nearly \$1.6 billion in 2011–13 compared to 2009–11 levels.

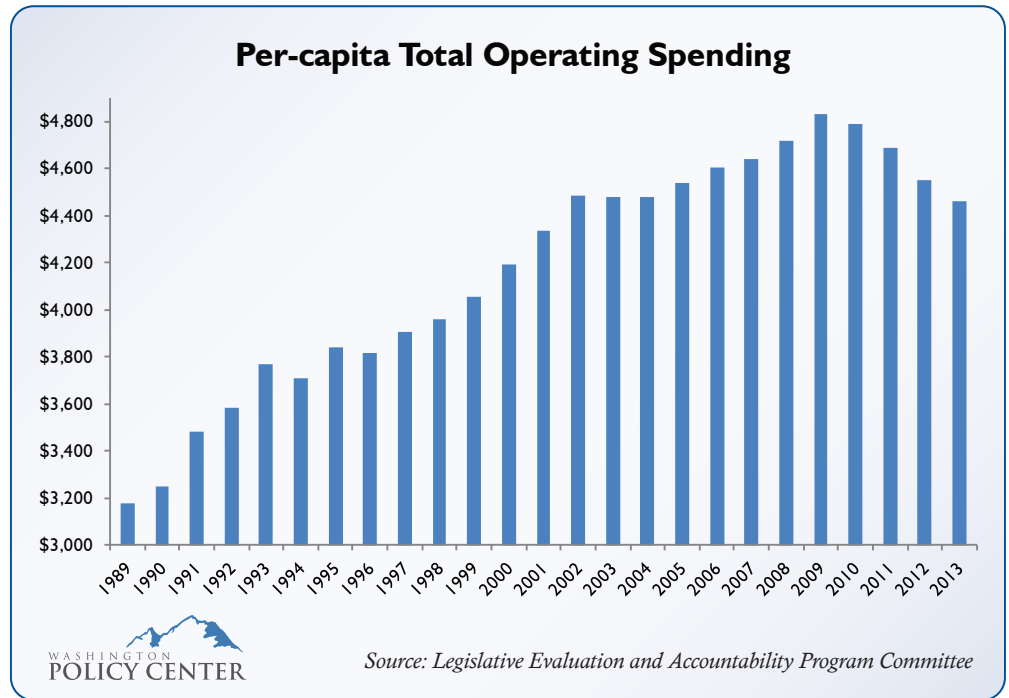
Accounting for total state operating spending, including the transportation budget, spending will increase by \$772 million in 2011–13 compared to 2009–11.



Measured on a per-capita basis based on 2011 constant dollars, state spending is trending down. The 25-year average per-capita *state* operating spending (including stimulus) inflation adjusted (2011 constant dollars) has been about \$2,661. The figure for fiscal 2013 is \$2,614 (down from a high of \$3,005 in 2008). This is the lowest level since fiscal 1998 (\$2,574 per capita).



The 25-year average per-capita *total* operating spending (including temporary federal stimulus), inflation adjusted (in 2011 constant dollars), has been about \$4,173. The figure for fiscal 2013 is \$4,462 (trending down from a high \$4,829 per capita in 2009). This is the lowest level since fiscal 2001 (\$4,335 per capita).



Regardless of the state spending trends, the final balance sheet shows lawmakers' work to balance the 2011–13 budget may not be done.

2011–13 Balance Sheet (with accounting change and anticipated reversions)	
Total Resources	\$31.175 billion (includes \$238 million accounting change)
Total Spending	\$31.129 billion (includes \$120 million in reversions)
Unrestricted ending fund balance	\$46 million (0.1% of spending)
Constitutional rainy-day account*	\$265 million
Total Reserves	\$311 million (1% of spending)

2011–13 Balance Sheet (without accounting change or anticipated reversions)	
Total Resources	\$30.937 billion
Total Spending	\$31.249 billion
Unrestricted ending fund balance	Negative \$312 million
Constitutional rainy-day account*	\$265 million
Total Reserves	Negative \$47 million

*Requires supermajority vote of lawmakers to access or employment growth of less than 1%

The 2011–13 budget shows total spending of \$31.129 billion, but the actual budgeted authority for agency spending is \$31.249 billion. This is because the 2011–13 budget now assumes \$120 million in agency reversions (approximately \$60 million per fiscal year), money agencies are authorized to spend but are not expected to spend, based on historical experience. Lawmakers assume state agencies will not use all their budgeted spending authority, resulting in actual spending of \$31.129 billion for the 2011–13 budget period.

Agencies revert some money to the Treasury every year, but lawmakers usually do not count reversions in advance. This is because in the past these reverted funds were automatically sent to dedicated accounts. A change made this year (in HB 2127, Section 709) will now send these reverted funds to the General Fund.

Here is the actual amount of agency reversions since fiscal 1997, according to the Office of Financial Management (figures are in millions):⁴

FY 1997	\$62	FY 2002	\$14	FY 2007	\$79
FY 1998	\$42	FY 2003	\$36	FY 2008	\$83
FY 1999	\$55	FY 2004	\$18	FY 2009	\$111
FY 2000	\$25	FY 2005	\$43	FY 2010	\$83
FY 2001	\$23	FY 2006	\$37	FY 2011	\$105

The average amount authorized but not spent by agencies over the 15-year period is \$54 million per year, slightly less than \$60 million per fiscal year lawmakers predict agencies will send back to the Treasury at the end of the current two-year budget.

The majority of reversions in the past occurred in the Department of Social and Health Services and the Office of Superintendent of Public Instruction. Higher education agencies (state colleges and universities) tend to spend all of their budgeted authority; they seldom return any funds to the Treasury. The 2011–13 budget does not specify where within state government these reversions may occur, but the \$120 million is based on the total amount expected from agencies statewide.

Notwithstanding the assumed \$120 million in reversions and \$238 million gained from temporarily holding local sales tax collections in the state general fund, the \$46 million unrestricted ending fund balance is unlikely to be enough to keep the 2011–13 budget in balance until the end of the biennium on June 30, 2013.

Although the state’s February revenue forecast did not include the potential revenue from the federal unemployment insurance and payroll tax cut extensions, gas prices have continued to increase and ongoing economic turmoil in Europe threatens the U.S. economic recovery. This is why the February revenue forecast had a 40% probability of projected increases in state revenue falling by an additional \$1.5 billion. Based on these economic realities, it is surprising lawmakers left such a low unrestricted ending fund balance to deal with a future economic downturn.

⁴ Email to author from Ralph Thomas, communications director for the Office of Financial Management, April 23, 2012, available on request.

In contrast, Governor Gregoire’s original 2011–13 supplemental budget proposed reserves of \$602 million or 2% of the \$29.989 billion in planned spending.⁵ Had the Legislature used the same 2% standard for savings as the governor’s proposal, total budget reserves would be more than \$600 million, rather than the actual \$311 million enacted. For budget sustainability, Washington Policy Center recommends a reserve of at least 5% of spending.

Lawmakers indicated their expectation that their low level of reserves would not be sufficient by including two provisos in the budget: One allows a cash deficit in the current fiscal year to be “liquidated” by the end of the biennium (HB 2127, Section 912), and another provides the governor additional flexibility in imposing any cuts other than across-the-board that may become necessary to bring the budget into balance (HB 2127, Section 919). The governor vetoed the second proviso saying that the language adopted “actually reduces executive flexibility.”

Structural Budget Reforms

Along with whether to use bookkeeping “gimmicks” to balance the budget, the other issue that drove lawmakers into the 2012 special sessions was whether to adopt several proposed reforms before voting on a final budget. Among the reforms were:

- Requiring a four-year balanced budget
- Changes to the state’s pension system
- Repeal of the voter-approved unfunded mandate for class size reduction (Initiative 728)
- Lowering the state’s constitutional debt limit

In the end, lawmakers adopted these structural reforms, and they were signed into law by the governor (with the constitutional debt amendment going before voters this fall).

The following sections describe these reforms as enacted.

Four-year Balanced Budget Requirement (SB 6636)

Starting with the 2017–19 budget, Washington will have one of the strongest balanced budget requirements in the country, assuming lawmakers do not amend or repeal the requirement before then.

Currently 45 states (except Minnesota, Mississippi, New Hampshire, Vermont and Washington) have a constitutional requirement for a balanced budget.⁶ Among these five states, only Vermont and Washington do not have statutory requirements for a legislative balanced budget. That was until this year when the Washington Legislature adopted SB 6636 by a vote of 79-19 in the House and 38-9 in the Senate.

⁵ “2012 Supplemental Budget Balance Sheet,” Office of Financial Management, at www.ofm.wa.gov/budget12/highlights/6_BalanceSheet.pdf.

⁶ “State Balanced Budget Provisions,” National Conference of State Legislatures, October 2010, at www.ncsl.org/documents/fiscal/StateBalancedBudgetProvisions2010.pdf.

Although advertised as taking effect in the 2013–15 budget, a large loophole delays the full impact of the balanced budget requirement until the 2017–19 budget. In 2013–15 and 2015–17 lawmakers will not have to account for the later-year costs associated with the state Supreme Court’s education funding (McCleary) ruling, freeing up capacity to increase spending elsewhere in the budget. This exemption will no longer apply starting with the 2017–19 budget. When fully implemented, Washington will have one of the strongest balanced budget requirements in the country, one requiring *all* spending to be sustainable over a four-year period.

Another interesting exclusion from the estimated maintenance level spending projections concerns the costs associated with the Collective Bargaining Agreements (CBAs) negotiated by the governor and potential salary increases for state employees. The Legislature has not voted on the CBAs as a separate document, but their approval has been assumed with the adoption of the budget funding the various promises.

Others exemptions include “early action” budgets like the one adopted last December and those that spend money from the constitutional budget reserve account do not need to comply with the four-year balanced budget requirement.

The revenue growth assumed for determining whether a budget balances over four years is the greater of either forecast revenue or 4.5% per fiscal year. As noted by the state Economic and Revenue Forecast Council, total Near General Fund revenue growth since 1995 (through the 2015 forecast) has averaged 3.34% a year.⁷ This includes two years of negative revenue growth in fiscal 2009 and fiscal 2010. Excluding these two fiscal years, annual state revenue growth has averaged 4.49%.

Changes to the State Pension System (SB 6378)

One of the most contentious proposals the Legislature considered this year was the plan to reform the state’s pension system. The compromise bill ultimately enacted (SB 6378) was passed by a vote of 56-42 in the House and 27-22 in the Senate. Estimates show the reforms of SB 6378 will save approximately \$1.3 billion over 25 years.

Among the changes enacted with the adoption of SB 6378: Early retirement benefits for new state hires will be subject to a 5% per year reduction in benefits from age 65 to the age they actually retire, and the estimated rate of return for state pension investments will gradually be reduced from the current 8% to 7.7% by July 1, 2017.

The phased-in reduction of the state’s estimated investment return mirrors the recommendations of the State Actuary (though he did recommend going down to 7.5% by 2021).⁸

⁷ “Revenue Review Meeting: February 16, 2012,” Washington State Economic and Revenue Forecast Council, February 16, 2012, at www.erfc.wa.gov/forecast/documents/rev20120216colorRevised.pdf.

⁸ “SCPP Recommendation to PFC on Long-Term Economic Assumptions,” by Aaron Gutierrez, Policy Analyst for State Actuary, October 11, 2011, at www.leg.wa.gov/SCPP/Documents/2011/10-18/4.OSARecommendaton.pdf.

The final version of SB 6378 does not include the original proposals to close the state's only open-defined benefit pension plan (Plan 2) to new hires, repeal alternative early retirement without full actuarial penalty for new hires or skip a pension payment.

This year's pension reform builds on last year's successful effort to eliminate automatic cost of living adjustments (COLAs) for the state's oldest and most costly pension plan (Plan 1). That reform is projected to save \$7.6 billion over the next 25 years.⁹ The State Actuary notes that although there are no immediate changes to the liability in Plans 2/3 as a result of adoption of SB 6378 this year, as future state hires sign up, costs will decrease compared to what was expected under the prior program.

Despite achieving an estimated \$9 billion in savings over the next 25 years from the past two years of reforms, the state is still facing \$4.6 billion in unfunded pension liabilities. Part of what has contributed to the state's unfunded pension liability is not making the required contributions so that lawmakers could free up spending for elsewhere in the budget.¹⁰

This is why it is important to maintain diligence on the state's pension obligations while pursuing additional reform opportunities. Going forward, Washington Policy Center recommends the Legislature close Plan 2 and place all new hires into a defined contribution plan and enact constitutional protections requiring the actuarially recommend pension payment (prohibit skipped payments) and create a supermajority threshold to enact new benefits.

Repealing the Unfunded Class Size Mandate (HB 2824)

One of the key sustainability reforms the Legislature enacted this year was the repeal of the unfunded Initiative 728 class size mandate. The repeal bill, HB 2824, passed by a vote of 74-24 in the House and 28-20 in the Senate.

This repeal removed nearly \$1 billion from the state's 2013–15 spending obligations. Based on the history of I-728 and the failure of various ballot measures that sought to increase taxes to pay for its unfunded commitments, it is not accurate to say that repeal was a case of ignoring the will of the voters. Voters had made it abundantly clear they do not want to raise taxes to pay for the class size mandate.

Supporters of I-728 promised voters during the 2000 campaign and in the voters' guide that adoption of the measure would not require tax increases or hurt the state's budget (see Appendix).

Since funding was not identified for I-728 (other than the state's reserves) when originally adopted and the measure was subsequently suspended during tough budget times, voters were asked in 2004 to approve Initiative 884 (sales tax increase) and in 2010 to approve Initiative 1098 (high earners income tax) to pay in part for the policies of I-728. Both of these tax increase proposals were overwhelming rejected by voters.

⁹ Fiscal note for HB 2021: Limiting the annual increase amounts in the public employees' retirement system plan 1 and the teachers' retirement system plan, Washington State Legislature, June 30, 2011, at apps.leg.wa.gov/billinfo/summary.aspx?bill=2021&year=2011.

¹⁰ "State of the State's Pensions," by Matt Smith, State Actuary, January 17, 2012, at osa.leg.wa.gov/Actuarial_Services/Publications/PDF_Docs/Presentations/StateOf1-17-12.pdf.

Despite the rejection of I-884 and I-1098 to raise taxes to pay for I-728, supporters of I-728 argue that rather than repeal this law, lawmakers should instead repeal Initiative 1053 that requires a two-thirds vote of lawmakers to raise taxes.

Although both Initiative 728 and Initiative 1053 were approved by voters, the track record of support for the two initiatives is vastly different. While the voters have consistently approved and reaffirmed the two-thirds vote requirement to approve tax increases each time they were provided the opportunity (in 1993, 1998, 2007 and 2010), their support for raising taxes to pay for class size reduction has been unequivocally “no.”

Constitutional Debt Limit Reform (SJR 8221)

With an eye toward improving the state’s capacity for steady capital projects while controlling the amount of debt servicing required in the operating budget, lawmakers adopted a constitutional amendment for citizens to consider that would reduce the state’s debt limit. Servicing the state’s debt currently consumes nearly \$2 billion of the \$31 billion operating budget, or approximately 6% of spending. SJR 8221 passed by 91-7 in the House and 38-7 in the Senate. The proposed constitutional amendment will appear on the 2012 statewide ballot.

We will have additional details on the impact of SJR 8221 when we publish our Citizens’ Guide on the measure later this year.

Budget and Reforms Adopted in the Dark of Night

The final text of the bills voted on late on the night of April 10th (the last day of first special session of 2012) and early the morning of April 11th (the second special session of 2012) was written shortly before the floor votes occurred, meaning the public and lawmakers had little if any time to see the details of the bills being considered.

As described by *The Spokesman-Review* capitol reporter Jim Camden:

Everybody was for transparency — the open discussion and full vetting of the issues contained in legislation — in January. It’s similar to the way every baseball fan thinks his team has a shot at the World Series in April. By the time the special session rolled around in March, and the first three weeks were spent in closed-door negotiations, budget writers had retreated to the fall-back position that they’d held some hearings on some versions of these bills at some time in the not too distant past.

On the final days, there was no pretense that most members, let alone the public, had even a peek at some legislation that was about to be pushed through the sausage grinder. A 280-page budget showed up on legislators’ desks at 12:20 a.m. Wednesday morning. Gov. Chris Gregoire revealed in her post-session press conference that they had to make changes in one final piece of “reform” legislation in a 2 a.m. conference, and even she didn’t know what legislators had stuck in the budget that night. This is

standard operating procedure for the Legislature's end game. It's time to acknowledge that transparency isn't a policy, it's just a slogan.¹¹

This is why Washington Policy Center recommends lawmakers provide more legislative transparency protections to ensure the public and legislators have adequate time to review and comment on proposed bills before the final vote occurs. Recommended changes include mandatory waiting periods for legislation, subjecting the legislature to the Open Public Meetings Act like every other government entity (except the courts) and banning the use of title-only bills.

Conclusion

The 2012 supplemental budget and structural reforms enacted can be viewed as a glass half full or half empty. On the plus side, the budget was enacted without major tax increases or the "felony gimmicks" criticized by the State Treasurer.

On the other hand, the final budget uses too many accounting maneuvers while relying on a miniscule \$46 million unrestricted ending fund balanced out of a \$31 billion budget. This increases the likelihood lawmakers will be forced to meet in yet another special session this year, or will need the governor to enact across-the-board cuts to resolve any deficit that arises before the end of the current two-year budget cycle.

The structural reforms lawmakers adopted will put the state on a more sustainable path, but the final compromise versions may not bend the state's cost curve down as much as originally hoped.

It is encouraging, however, that lawmakers acknowledged the need to think beyond the current fiscal year and the next election, and instead consider the long-term impact of today's spending decisions. Too often in the past, good intentions were not based on economic reality, resulting in new or expanded programs being enacted without consideration of whether they were financially sustainable.

The most significant reform to come out of this apparent legislative fiscal awakening is the four-year statutory balanced budget requirement due to take full effect in 2017–19. In the meantime, the required extended budget outlook should help prevent lawmakers from knowingly adopting a budget that immediately results in a deficit, notwithstanding the just-enacted 2012 supplemental budget.

¹¹ "Spin Control: And please take your tired turns of phrase with you," by Jim Camden, *The Spokesman-Review*, April 15, 2012, at www.spokesman.com/stories/2012/apr/15/spin-control-and-please-take-your-tired-turns-of/.

Appendix

OFFICIAL BALLOT TITLE AND EXPLANATORY STATEMENT

Initiative 728: “Shall school districts reduce class sizes, extend learning programs, expand teacher training, and construct facilities, funded by lottery proceeds, existing property taxes, and budget reserves?”¹

Statement For I-728

The people of Washington State expect and deserve great public schools. A quality public education system is crucial to our state’s economic prosperity and our children’s future.

Without raising taxes, I-728 lets schools reduce class sizes, expand learning opportunities, increase teacher training, invest in early childhood education, and build classrooms for K–12 and higher education.

WASHINGTON HAS THE THIRD WORST STUDENT/TEACHER RATIO IN THE NATION

Parents and teachers know that smaller classes increase student learning, decrease classroom disruption and make for more successful schools and students. I-728 gives local school districts the resources to lower class size by hiring more teachers and building more classrooms.

INCREASE STUDENT ACHIEVEMENT AND SUPPORT NEW, HIGHER ACADEMIC STANDARDS

In 1993, Washington State established new, higher standards for academic achievement. To make increased student achievement a reality, I-728 gives every school district the capacity to provide all students with more individualized instruction, more quality learning time, and modern schools.

Statement Against I-728

I-728 is extreme and unnecessary, and will cause harm to essential state services.

I-728 takes a meat cleaver to the state budget, when careful reforms and prudent investments are what’s needed to continue to improve Washington schools.

I-728 would remove \$2 billion from the state’s general fund over the next six years.* This will make it difficult to fund other critical responsibilities, including competitive salaries for teachers and state workers, services to children and the elderly, health care, environmental protection, higher education, and local criminal justice.

The governor’s budget office projects basic expenditure needs will exceed state revenues in the next biennium. I-728 takes a bad budget outlook and makes it much worse, requiring cuts in services or tax increases to meet basic needs.

I-728 cuts urgently needed school construction funding by \$3.9 billion over six years.*

I-728 destroys the voter-approved spending limit, I-601, which brought stability to the state budget and made possible meaningful tax relief. The will of the voters will be ignored, and we’ll be back to the uncontrolled spending and tax increases of the past. There is no need for I-728. The state will spend \$10.3 billion on K–12

¹ “Official Ballot Title and Explanatory Statement,” Initiative 728, Official Voters’ Pamphlet, 2000 election, Office of the Secretary of State, at www.sos.wa.gov/elections/2000/i728_arguements.aspx

LOCAL COMMUNITIES KNOW
BEST: LOCAL CONTROL AND
ACCOUNTABILITY

I-728 authorizes every school district to make the changes necessary to improve their schools' performance and their students' learning. Local school districts are accountable to their communities for using the new funds to increase student achievement.

NO NEW TAXES

We can afford to invest in our schools and our future without raising taxes or taking money away from other programs. I-728 is funded by lottery proceeds, surplus state revenues and by returning a portion of state property taxes to local school districts.

I-728 was written by and is supported by parents, educators, and community leaders across the state. Together with the 297,000 citizens who signed I-728, we ask you to vote Yes on I-728!

For more information, call 206.283.5549 or visit www.YesOn728.com.

education this biennium, an increase of 62 percent since 1993. This year the state allocated new money to schools for exactly the purposes proposed by I-728 — class size reduction, extended learning and teacher training — but in a fiscally responsible way.

Vote No on I-728.

*Source: Washington Legislature.

Rebuttal of Statement Against I-728

Governor Locke responds, “I-728 is both necessary and fiscally sound. It invests surplus revenues in education without hurting the state budget.”

Having the nation’s third largest class sizes is unacceptable. I-728 accomplishes what the Legislature hasn’t: smaller classes and stable school funding.

I-728 dedicates the lottery to school construction.

I-728 does not raise taxes. I-728 maintains ample reserves and funding for other state services. Business, labor, education, and social service leaders support I-728. Vote Yes.

Arguments For I-728 Prepared By

RITA CREIGHTON, President, Washington State PTA; JUDY JANES, Edmonds School Board; President, Washington School Directors’ Association; GARY KIPP, Principal (Longview); President, Association of Washington School Principals; PETER KU, Chancellor, Seattle Community Colleges (not speaking for colleges); GARY LIVINGSTON, Superintendent (Spokane); President, Washington Association of School Administrators; LEE ANN PRIELIPP, President, Washington Education Association.

Rebuttal of Statement For I-728

It’s foolish to believe that pulling \$2.0 billion out of the state’s general fund over the next six years will not have an impact on teacher salaries, elderly services, higher education and other programs without raising taxes.

A 1999 bipartisan audit found that increasing teacher salaries, experience and education all have a greater impact on student performance than lowering the pupil-teacher ratio. Providing the salary increases teachers need will be made harder by I-728.

Arguments Against I-728 Prepared By

TOM HUFF, State Representative; BRIAN THOMAS, State Representative; TERRY MACE, member, Washington Health Care Association; DIANE SYMMS, member, Independent Business Association; DAVE WOOD, People for Fair Taxes.

About the Author

Jason Mercier is director of the Center for Government Reform at Washington Policy Center. He is a contributing editor of the Heartland Institute's *Budget & Tax News*, a columnist for *Northwest Daily Marker*, a contributing author at *State Budget Solutions*, serves on the board of the Washington Coalition for Open Government, and was an advisor to the 2002 Washington State Tax Structure Committee. In 2010, Governor Gregoire appointed Jason as WPC's representative on her Committee on Transforming Washington's Budget, where WPC's ideas and solutions helped state lawmakers close budget deficits without raising taxes. Jason holds a Bachelor's degree in Political Science from Washington State University.



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